

## General Government Functions

### General Government Revenues

Following is a table of General, Special Revenue, Debt Service, and Capital Projects Funds revenues for fiscal years ended June 30, 2000 and 1999. Revenues increased \$34,560,000 or 2.49% from the \$1,386,247,000 generated in 1999 to \$1,420,807,000 in 2000. The General Fund accounts for all revenues and expenditures which are not restricted, and therefore accounted for, in another fund. Special Revenue Funds account for the proceeds of specific revenues sources other than expendable and nonexpendable trust and capital projects that are restricted to expenditures for special purposes. The Debt Service Fund is used to account for all principal and interest payments on long-term debt other than that issued and serviced by Enterprise Funds. The Capital Projects Fund accounts for all resources used for the acquisition and or construction of capital facilities except those financed by Enterprise Funds. The table below presents a summary of revenues by major sources of these funds. The amount and percentage of revenue increases and decreases from fiscal year 2000 to fiscal year 1999 are also shown.

### General Government Revenue by Sources (in thousands)

Revenue by Source	FY 2000		FY 1999 Amount	Increase (Decrease) From FY 1998	% Increase (Decrease) From FY 1998
	Amount	% of Total			
General property taxes	\$542,777	38.20%	\$503,925	\$38,852	7.71%
Sales tax	313,864	22.09%	305,472	8,392	2.75%
Franchise fees	147,349	10.37%	139,475	7,874	5.65%
Other taxes	6,740	0.47%	6,354	386	6.07%
Interfund billings	55,450	3.90%	55,106	344	0.62%
Fines and forfeits	43,977	3.10%	53,320	(9,343)	-17.52%
Licenses and permits	30,621	2.16%	30,588	33	0.11%
Charges for services	70,680	4.97%	70,634	46	0.07%
Interest	16,692	1.17%	18,267	(1,575)	-8.62%
Industrial assessments	17,614	1.24%	18,317	(703)	-3.84%
Miscellaneous	21,085	1.48%	18,785	2,300	12.24%
Intergovernmental – grants	153,804	10.83%	165,998	(12,194)	-7.35%
Contributions	154	0.01%	6	148	2466.67%
Total	<u>\$1,420,807</u>	<u>100.00%</u>	<u>\$1,386,247</u>	<u>\$34,560</u>	<u>2.49%</u>

The overall increase of 2.49%, from \$1,386 million in fiscal year 1999 to \$1,421 million in fiscal year 2000, is due to the continuing general overall positive economic conditions both nationally and locally. The increase in taxable assessed value from \$74,272,625,000 in 1999 to \$80,691,551,000 in 2000, due in part to completion of new residential and commercial projects along with significant increases in property values, resulted in property taxes increasing by 7.7%. Sales tax revenues increased 2.75% over fiscal year 1999, partially due to the continuing strong local economic conditions. Additionally, franchise fees increased by \$7.9 million due to a new basis for telephone franchise fees assessment. Fines and forfeits decreased 17.5% due to an equivalent reduction in the number of cases filed. Intergovernmental Grant revenues decreased

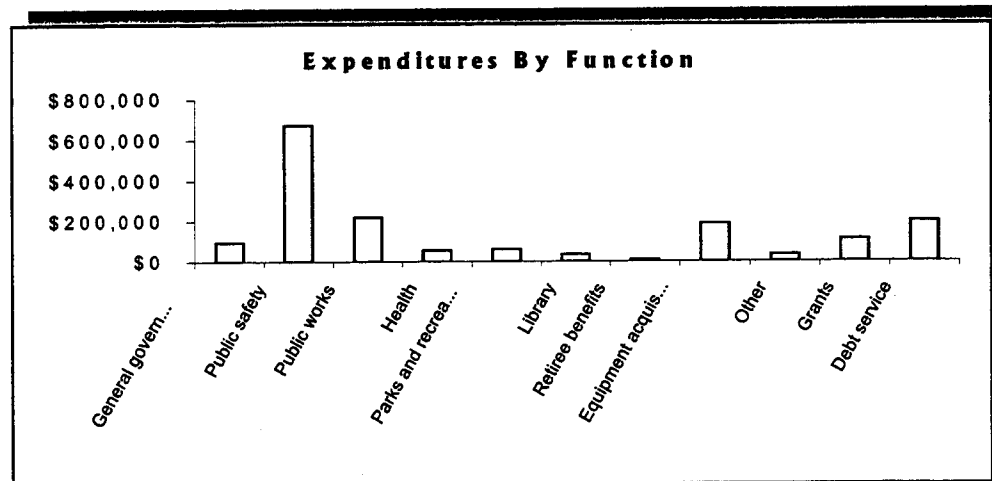
\$12.2 million as a result of fewer grants being applied for, mainly in Police, and a reduction of \$10 million in funding received from Metro.

## Expenditures by Function

The following table presents expenditures for major functions compared to the preceding year:

### General Government Expenditures by Major Functions (in thousands)

Function	Amount by Function FY 2000	% of Total	Amount by Function FY 1999	Increase (Decrease) From FY 1998	% Increase (Decrease) From FY 1998
General government	\$96,111	5.70%	\$89,944	\$6,167	6.86%
Public safety	672,737	39.92%	642,782	29,955	4.66%
Public works	219,300	13.01%	206,542	12,758	6.18%
Health	56,547	3.36%	55,201	1,346	2.44%
Parks and recreation	61,778	3.67%	56,728	5,050	8.90%
Library	35,758	2.12%	33,823	1,935	5.72%
Retiree benefits	9,597	0.57%	8,941	656	7.34%
Equipment acquisition and other capital outlay	188,429	11.18%	169,060	19,369	11.46%
Other	35,089	2.08%	35,229	(140)	-0.40%
Grants	111,158	6.60%	115,224	(4,066)	-3.53%
Debt service	198,656	11.79%	184,173	14,483	7.86%
<b>Total</b>	<b>\$1,685,160</b>	<b>100.00%</b>	<b>\$1,597,647</b>	<b>\$87,513</b>	<b>5.48%</b>



Expenditures of the General, Special Revenue, Debt Service and Capital Projects Funds increased 5.48% to \$1,685 million in fiscal year 2000 from \$1,597 million in fiscal year 1999. Public Safety expenditures increased \$30 million due to compensation increases in both the Police and Fire Departments and new equipment purchases. Public Works increased \$13 million for street and bridge improvements in the continuing Neighborhood-to Standards program. The capital outlay increase of \$19 million is due to completion of a major storm sewer and drainage

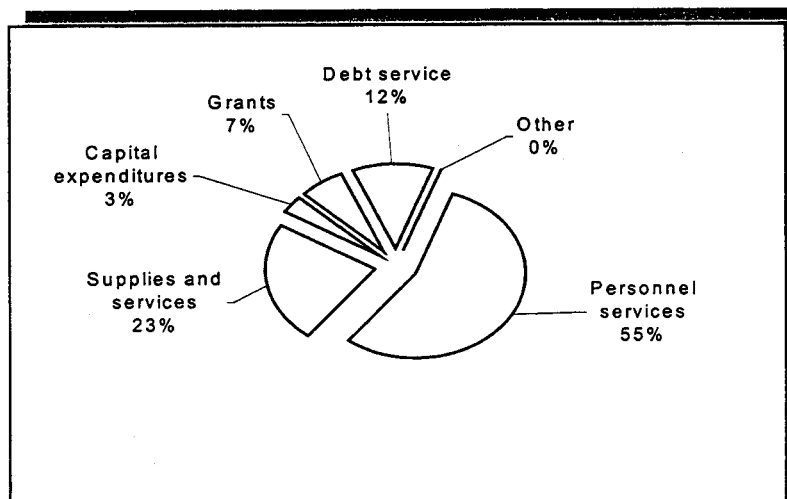
improvement project and the rebuilding of the golf course at Herman Park. The \$14.5 million increase in debt service reflects the additional payments associated with the net increase in General Obligation Debt of approximately \$72 million.

## Expenditures by Category

These same expenditures are reflected by category in the following table:

### General Government Expenditures by Category (in thousands)

Category	FY 2000 Amount	% of Total	FY 1999 Amount	Increase (Decrease) From FY 1998	% Increase (Decrease) From FY 1998
Personnel services	\$ 928,513	55.10%	\$ 886,636	\$41,877	4.72%
Supplies and services	388,516	23.06%	358,730	29,786	8.30%
Capital expenditures	56,781	3.37%	52,761	4,020	7.62%
Grants	111,158	6.60%	115,224	(4,066)	-3.53%
Debt service	198,656	11.79%	184,173	14,483	7.86%
Other	1,536	0.09%	123	1,413	1148.78%
Total	\$ 1,685,160	100.00%	\$1,597,647	\$87,513	5.48%



## General Government Fund Balances

The fund balance of the General Fund decreased \$23,632 million during fiscal year 2000 to \$83,624 million, which represents 6.6 % of total expenditures and operating transfers out.

The Special Revenue Funds fund balances decreased \$2 million to \$38 million in fiscal year 2000, down from \$40 million at the end of fiscal year 1999. The largest changes occurred in the Street and Drainage Maintenance Fund (up \$2.4 million), and the Street Maintenance and Traffic Control Fund (down \$5.2 million).

The fund balance in the Debt Service Fund does not result from operations but from scheduled interfund transfers in anticipation of debt service payments. The fund balance at June 30, 2000, was \$86.4 million. This amount will cover the first seven months of principal and interest payments due in fiscal year 2001 on tax-supported debt.

The City maintains Capital Projects Funds to account for general government capital improvements funded primarily by general obligation bond proceeds. In fiscal year 2000, the City issued new commercial paper for construction in the amount of \$137.7 million and spent \$147 million on general improvements, including \$68.5 million for streets and bridges. At June 30, 2000, \$58.8 million remained in the Capital Projects Fund for future capital improvements.

## Proprietary Fund Types

### Enterprise Funds

These funds account for City operations that are financed and operated in a manner similar to private business enterprises, where the cost of providing goods or services to the general public is financed primarily through user charges. The Airport System Fund accounts for operations of the City's airports, George Bush Intercontinental, William P. Hobby and Ellington Field. The Sports Arena Fund accounts for the City's interest in the Compaq Center, a multi-purpose sports arena leased to an independent operator. The Convention & Entertainment Facilities Fund accounts for operations of the City's entertainment centers, including the George R. Brown Convention Center, the Wortham Theater, Bayou Place, and City-owned parking garages. The Water and Sewer System Fund accounts for the production and transmission of water, and the treatment of wastewater in the Houston area. Following is certain comparative data on the enterprise funds.

### Airport System Fund - Comparative Data (in thousands)

	FY 2000	FY 1999	% Change Increase (Decrease)
Total revenues	\$218,911	\$204,340	7.1%
Operating income	49,302	22,628	117.9%
Net revenues available for debt service	105,469	75,003	40.6%
Debt service requirement	38,455	33,942	13.3%
Revenue bond coverage (net revenues available for debt service divided by annual debt service)	X 2.74	X 2.21	24.0%
Net cash flows from operating activities	\$119,391	\$85,559	39.5%

Most of the positive increases resulted from increased passenger activity and revenue from increased concession activity. The Airport System's current liabilities arising from operations and its two-month maintenance and operating reserve are fully funded with cash and investments.

## Sports Arena

The Sports Arena Fund accounts for certain net lease revenues from the City's interest in the Compaq Center, a 16,729-seat multi-purpose sports facility. Construction of the facility was financed primarily by conduit debt consisting of first mortgage revenue bonds guaranteed by the operating company. Under the lease agreement, the operator is responsible for the operations of the facility and for principal and interest payments on the bonds. This agreement is for the life of the bonds and does not require any cash contributions from the City. The bonds will be entirely repaid by Fiscal Year 2004.

## Convention & Entertainment Facilities Fund – Comparative Data (in thousands)

	FY 2000	FY 1999	% Change Increase (Decrease)
Total revenues	\$63,160	\$62,251	1.46%
Operating loss	(9,735)	(7,485)	30.06%
Hotel occupancy tax (non-operating Revenue)	42,550	42,459	0.21%
Net revenues available for debt service	27,597	27,197	1.47%
Debt service requirement	12,058	12,056	0.02%
Revenue bond coverage (net revenues available for debt service divided by annual debt service)	X 2.29	X 2.26	1.33%
Net cash flows from operating activities	\$29,870	\$31,269	-4.47%

The operating loss does not include non-operating hotel tax revenues, which increased by from \$38.2 to \$42.5 million or 11.3%

## Water and Sewer System Fund – Comparative Data (in thousands)

	FY 2000	FY 1999	% Change Increase (Decrease)
Total revenues	\$616,698	\$593,460	3.92%
Operating income (loss)	124,934	133,544	(6.45%)
Net revenues available for debt service	347,777	332,650	4.55%
Debt service requirement	212,151	197,909	7.20%
Revenue bond coverage (net revenues available for debt service divided by annual debt service)	X 1.64	X 1.68	
Net cash flows from operating activities	\$340,226	\$304,431	11.76%

The System's current liabilities arising from operations are fully funded, and its one-month maintenance and operating reserve is fully funded with cash and investments.

## **Fiduciary Fund Types**

### **Pension Trust Funds**

The Houston Firefighter's Relief and Retirement Fund reports an actuarial accrued liability of \$1,470.6 million. Of this, \$67.9 million is overfunded based on the actuarial value of assets to \$76.0 million overfunded in the previous year. The Houston Municipal Employees Pension Plan reports an actuarial accrued liability of \$1,339.9 million. Of that, \$117.7 million is unfunded based on the actuarial value of assets compared to \$144.5 million unfunded in the previous year. The Houston Police Officers Pension Plan reports an actuarial accrued liability of \$1,773.8 million. Of that, \$27.5 million is unfunded based on the actuarial value of assets, compared to \$31.3 million unfunded in the previous year. The City's contributions to the pension plans are actuarially determined; the result is contribution rates that, over time, remain level as a percent of payroll. For the Firefighter's Pension Plan, however, state law requires the City contribute a minimum of twice the member's contribution.

### **Risk Management**

The City purchases commercial property insurance covering city buildings and contents, including abandoned/vacant facilities and leased locations, business interruption/extra expense coverage for the Aviation and Convention and Entertainment Departments. The City also purchases boiler and machinery insurance to provide coverage for loss caused by mechanical or electrical equipment breakdown, including damage to the equipment, damage to other property of the insured, and damage to property of others. The City is self-insured for its employee health benefit plan, long term disability plan, workers' compensation and third-party liability claims.

### **Employee Health and Long-Term Disability Benefits**

The City accounts for its health care and long-term disability plans in internal service funds with full accrual accounting. As of June 30, 2000, these funds were substantially funded for both reported claims and those that were incurred and not yet reported. Provider cost increases for health care benefits absorbed by the City have been controlled at 2.2%, 1.9%, 2.8%, 0.3%, and 2.9 % for the last five years.

### **Workers' Compensation**

The City's workers' compensation program is self-insured. All indemnity medical and expense payments are funded by charge-backs to the operating departments. Costs are funded as payments are made. At June 30, 2000, the unfunded long-term liability for incurred claim costs of the governmental funds was \$33.4 million, compared to \$25.1 million at June 30, 1999. Total liability for all funds increased to \$43.7 million, compared to \$37.4 million last year. Claims costs attributable to the City's enterprise funds are fully funded. Claims paid for the entire workforce were \$18.9 million. The City uses a third party administrator for claims processing and payment services to provide statutory and City enhanced benefits to its employees.